

## Message Text

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PAGE 01 BRUSSE 11858 170513Z  
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
FRB-01 INR-10 NSAE-00 SP-02 STR-07 TRSE-00 LAB-04  
SIL-01 OMB-01 AGRE-00 OIC-02 DODE-00 PM-05 H-02  
L-03 NSC-05 PA-02 SS-15 ICA-20 /107 W  
-----116020 170515Z /62

R 151654Z JUN 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 7305  
INFO ALL EC CAPITALS

UNCLAS BRUSSELS 11858

C O R R E C T E D C O P Y (OMISSION PARA 2)

USEEC

PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: N/A  
TAGS: EEC, EP, EAGR  
SUBJ: EUROPEAN PARLIAMENT JUNE PLENARY SESSION: EC  
COMMISSIONER MAKES STATEMENT ON 1978-1979 FARM  
PRICE PACKAGE

REF: (A) BRUSSELS 9192 (B) BRUSSELS 9137

1. SUMMARY: IN A STATEMENT TO THE EUROPEAN PARLIAMENT (EP) JUNE 13 ON THE 1978-79 FARM PRICE PACKAGE, COMMISSION VICE PRESIDENT GUNDELACH EXPRESSED PLEASURE AT THE EC COUNCIL'S AGREEMENT ON A 2 PERCENT FARM PRICE INCREASE AND OF THE ADOPTION OF THE COMMISSION'S PROPOSALS ON MEDITERRANEAN AGRICULTURE. HE WAS LESS ENCOURAGED BY THE COUNCIL'S REJECTION OF THE AUTOMATIC PHASE-OUT OF MONETARY COMPENSATORY AMOUNTS (MCA). END SUMMARY.

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PAGE 02 BRUSSE 11858 170513Z

2. EMPHASIZING THAT THE NEGOTIATIONS ON FARM PRICES HAD BEEN VERY DIFFICULT, GUNDELACH TOLD PARLIAMENT THAT THE PRICE PACKAGE MARKS A CONSIDERABLE STEP FORWARD AND OFFERS THE BEST CHANCE OF BRINGING AGRICULTURAL MARKETS INTO BALANCE. HE SAID THE COUNCIL HAD COME VERY CLOSE TO THE COMMISSION'S PROPOSALS BY AGREEING TO AN AVERAGE PRICE INCREASE OF 2.11 PERCENT VIS-A-VIS THE 2 PERCENT RECOM-

MENDED BY THE COMMISSION. HE NOTED THAT THE AGREEMENT ON A PRICE RISE OF ONLY ABOUT 2 PERCENT IS A SIGN THAT THE EC IS COMING TO GRIPS WITH THE PROBLEMS OF MARKET IMBALANCE AND REPRESENTS AN AGRICULTURAL SECTOR CONTRIBUTION TO AN ANTI-INFLATIONARY POLICY. MOREOVER, HE SAID THAT IN REAL TERMS AGRICULTURE PRICES WILL DECREASE NEARLY EVERYWHERE WITHIN THE COMMUNITY IN 1978 AS A RESULT OF THE COUNCIL DECISION. HE ADDED THAT ON THE BASIS OF THIS MODERATE AGRICULTURAL PRICE POLICY, THE COMMUNITY MUST NOW ADOPT OTHER REINFORCING MEASURES IN SUCH SECTORS AS DAIRY AND WINE PRODUCTION FOR WHICH FRESH PROPOSALS WILL BE MADE BY THE COMMISSION IN THE FALL. HE NOTED, HOWEVER, THAT THE SUCCESS OF A POLICY OF RESTRAINT IN AGRICULTURE IS DEPENDENT UPON THE EC'S DEVELOPING AN OVERALL ECONOMIC STRATEGY.

3. GUNDELACH CONSIDERED THE COUNCIL'S ADOPTION OF THE COMMISSION'S MEDITERRANEAN PROPOSALS A BREAKTHROUGH AND POINTED OUT THAT HALF THE COST OF THE SCHEMES THEREUNDER WILL BE PAID BY FEOGA. HE ADDED THAT THE EC CONTRIBUTION FOR RURAL INFRASTRUCTURAL PROJECTS WILL BE AT THE SAME MAXIMUM RATE AS FOR INFRASTRUCTURE INVESTMENT UNDER THE EC REGIONAL FUND. HE NOTED, HOWEVER, THAT TWO PARTS OF THE PACKAGE--AFORESTATION OF DRY ZONES IN THE MEDITERRANEAN REGION AND THE PROVISION OF TECHNICAL ASSISTANCE TO ITALY--STILL HAVE TO RECEIVE APPROVAL FROM THE COUNCIL WHICH IS UNCLASSIFIED

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PAGE 03 BRUSSE 11858 170513Z

AWARE OF THE IMPORTANCE THE COMMISSION ATTACHES TO THESE TWO PROGRAMS. HE CAUTIONED AGAINST ASSUMING THAT THE MEDITERRANEAN PACKAGE IS A HANDOUT, NOTING THAT IT IS THE BEGINNING OF A NEW POLICY AIMED AT DEVELOPING THE EC'S LESS DEVELOPED REGIONS.

4. GUNDELACH WAS DISAPPOINTED AT THE COUNCIL'S FAILURE TO SUPPORT THE AUTOMATIC PHASING OUT OF MCA'S. HE SAID THAT AS A RESULT, THE EC WILL IN THE FUTURE HAVE TO TIME ADAPTATIONS OF THE GREEN RATES TO ANNUAL PRICE DECISIONS IN ORDER TO TAKE PROPER ACCOUNT OF ECONOMIC AND MARKET CONDITIONS. OTHERWISE, HE CONTINUED, THE FIXING OF COMMON PRICES WILL BE PRE-EMPTED BY NATIONAL DECISIONS.

5. IN A SUBSEQUENT STATEMENT REPLYING TO QUESTIONS RAISED BY SEVERAL PARLIAMENTARIANS, GUNDELACH ACKNOWLEDGED THAT THE EC IS REFOCUSING ITS AGRICULTURAL POLICY BY PLACING MORE EMPHASIS ON THE STRUCTURAL SECTOR. HE NOTED THAT THE EC HAS COMMITTED ONE BILLION UNITS OF ACCOUNT (EUA, ONE U.A. EQUALS US\$1.24) OVER A FIVE-YEAR PERIOD TO THE MEDITERRANEAN REGION. HINTON

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COMMODITIES, FARMS, PRICES  
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